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SUBJECT: MONTENEGRO'S CEFTA PRESIDENCY

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¶1. (SBU) Summary: The GoM took over the CEFTA Presidency on January 1, 2009, and had hoped to use its term at the helm of the organization to showcase its role in leading regional initiatives. However, CEFTA's activities have been beset by political challenges -- namely how to involve an independent Kosovo without alienating Serbia and managing the reaction to the global economic crisis by member countries. GoM officials are hopeful that they can break the current impasse with Kosovo, but remain very concerned about the latest hiccup -- a proposed protectionist Bosnian law which, if enacted, they claim, could seriously undermine the CEFTA agreement. End Summary.

Background: CEFTA to Encourage Regional Cooperation

¶2. (U) The Central European Free Trade Agreement (CEFTA) entered into force in 1994 and was designed to mobilize regional efforts to integrate into Western European institutions. Original CEFTA signatories are Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia. As these former CEFTA members joined the EU, their membership in CEFTA ceased, but CEFTA was extended in 2006 to cover the rest of the Eastern European states, which already were involved in a matrix of bilateral free trade agreements through the framework of the Stability Pact for South Eastern Europe. The current members of CEFTA are: Albania, Bosnia, Croatia, Macedonia, Moldova, Montenegro, Serbia, and UNMIK (Kosovo).

But Times Change... CEFTA As a Venue for Dispute?

¶3. (SBU) Montenegro took over the rotating Presidency of CEFTA on January 1 of this year with high hopes for promoting regional cooperation. However, Kosovo's independence and the recognition of that independence by half of the current CEFTA signatories has become an issue for CEFTA states.

¶4. (SBU) On April 8, a Kosovo delegation walked out of a CEFTA agricultural market policy meeting in Podgorica to protest the fact that they were seated with UNMIK officials (REF A). GoM officials, including Minister of Economic Development Gvozdenovic and FM Rocen, have stressed to us that the GoM's hands are tied because UNMIK, not the government of Kosovo, is the signatory to CEFTA. Ministry officials also told us that the GoM had notified Pristina in January that UNMIK

representatives should accompany Kosovo delegates to CEFTA meetings.

15. (SBU) Deputy Minister Goran Scepanovic (the Ministry's main point person for CEFTA) told us on April 29 that combining UNMIK and GoK representatives was the GoM's only legal option, and the only option that would keep Serbian representatives from staging their own walkout. Scepanovic stressed that, especially in this time of global economic crisis, it is important for all parties to participate in these working groups. Many GoM officials, including Foreign Minister Rocen (REF B) have been expressing concern over potential repeat walk outs by the GoK at subsequent CEFTA events. Scepanovic told us that he hopes UNMIK/GoK experts will attend the next CEFTA meeting scheduled for late May -- especially, he noted, as this is an "experts" meeting, not a political meeting. The GOM has appealed to us for assistance in resolving this issue and has suggested that one solution would be for the GoK to apply the model used at a recent Gymnich meeting in Prague -- i.e., that the GoK representative sit at the table, with the UNMIK representative behind him or her.

16. (SBU) On a positive note, Scepanovic told us that he expects the other open issue with UNMIK/Kosovo, the use of new customs stamps for goods from Kosovo, to be resolved soon. The GoM has yet to receive the official letter from UNMIK introducing the stamps -- a hard copy letter is required by customs authorities in Montenegro -- but Scepanovic assured us that as soon as it arrives Montenegro will begin accepting the stamps. (Note: UNMIK emailed a PDF file of the letter and stamp exemplars to all CEFTA signatories, and we have confirmed a hard copy is en route to Montenegro. End note.) Further, Scepanovic told us that he did not see the stamps as a contentious issue for CEFTA, and noted that his Serbian Embassy contacts here in Podgorica had

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raised no objection to the stamps.

And More Trouble Ahead?

17. (SBU) Scepanovic told us that while relations with Kosovo were moving -- albeit unsteadily -- forward, his primary concern now is a new law that the Bosnian parliament is considering, designed reportedly to provide better protection for local farmers against imported goods from neighboring countries (REF C). According to Scepanovic, the law can "destroy CEFTA" and is likely to lead to a series of retaliatory measures by neighboring countries. The GoM would do its best to stop such a snowball effect, but could not guarantee success should the law pass. Scepanovic told us he hopes that somehow it will be killed even if that takes a "push" from the USG and international community.

Comment

18. (SBU) The GoM has hoped to use its CEFTA presidency to prove itself as a regional leader, and therefore is disappointed that political drama has overshadowed recent meetings. The GOM has told us it is committed to maintaining focus on the tangible economic benefits the organization can bring and that it shares our goal of facilitating maximum participation by CEFTA signatories.

